

Liquor smugglers on the Pacific Coast became a highly organized operation in the latter half of the Roaring Twenties. This operation consisted of ~~a fleet or~~ fleets of vessels, ranging from speedboats and up, to some larger vessels which loaded <sup>30,000 to</sup> as many as 60,000 cases, went to sea and anchored for long periods of time, <sup>sometimes</sup> perhaps six months <sup>or</sup> to a year, <sup>where the ship</sup> and performed as ~~a~~ floating warehouses. We called such supply vessels "mother-ships." Their cargo was released in amounts ordered by radio messages (encoded or enciphered, or both) to vessels we termed "intermediate", because these vessels in turn then discharged their cargo to small <sup>but</sup> very fast speedboats which ran the liquor into shore. The latter we called "contact" boats.

(I was still "a loner" as far as any assistants in the solution of messages was concerned.)

An "intelligence ~~agent~~" man in the Alcohol ~~Tax~~ Division of the Treasury Department in San Francisco, was engaged in collecting information from every imaginable source concerning the activities of such vessels. This intelligence report was forwarded to Washington to my office once a week. In 1928 I spent more than a month in San Pedro, the Southern California port, and in San Francisco, collecting and giving information. Other sources of information were Coast Guard Patrol officers and ships on the West Coast. This <sup>was</sup> ~~yo~~ collected the "collateral information so useful in solution of secret messages. For example, the names of many of the smuggling ships were strange: such as, KAGOME, TAIHEYO, L'AQUILA, YURINOHANA, and the somewhat bizarre, OUIKINIB <sup>15</sup> and KUYAKUZMT, and <sup>PRZESMSYL</sup> ~~had~~ But then the human race has almost universally shown a disposition to give to boats fanciful names and these were no exception.

In 1930 I compiled a report giving a brief history of the Canadian companies, ships, men and events, accompanied by prepared charts, showing the short wave radio networks utilized in the direction of the day-to-day activities of this truly giant operation (see pages --for charts).

At the time I first became engaged in reading Pacific Coast smugglers' correspondence (1925), the Pacific Coast operations were divided between two groups. One of these was known as "the Hobbs' Interests." J. W. Hobbs and a brother constituted <sup>t</sup>



# Substitute for P 3 CONEXCO West Coast

begin there were four vessels of the  
mother ship class which alter-  
nated as <sup>a</sup> floating-warehouse  
at sea. ~~between 1925~~ <sup>until the end</sup>  
of 1929, taking turns bringing  
supplies and cargo to ~~the~~  
they stationed at sea ves-  
sel, whichever it was. They  
were the Kuyakuzmt, also called  
the Stadacona, the Prince  
Albert, the Lilchani <sup>and</sup>  
the Harry O.N. <sup>These last named and</sup> the Prince Albert  
had both made trips to  
Europe to augment the  
liquor supply <sup>from</sup> Vancouver.  
and unloaded to the mother  
ship at sea, or replaced her.



the company Of Hobbs, Limited of Vancouver, British Columbia, which was the liquor-exporting firm which ~~in~~ turn chartered ships owned chiefly by the Central American Shipping Company, also of Vancouver. In the years from March, 1925, the date on which my knowledge of activities began, to near the end of 1928, the Hobbs vessels which acted as supply or mother ships were the Kuyakuzst(also called the Stadacona), the Prince Albert, the Hurry On and the Lillehorn. They alternated as floating warehouses, and when not functioning in that capacity, they were cargo ships hauling the liquor from Europe. In the latter part of this period, a practise became common whereby the vessels did not actually purchase the cargo in Europe, but loaded it in Vancouver, carried it to Europe to a free port such as Antwerp, where it was unloaded; following this use of a freeport, the liquor was then reloaded on the selfsame ship which then made the long return journey to the Pacific.

Tenders and smaller vessels operating with the Hobbs interests in 1927 and 28 also had characterisically fanciful names: the Chief Skugaid, Bulkinish, Odeon and the Przemysal(which belonged to Tony Cornero of California). During these years of the most concentrated and extensive activities of the Hobbs interests, Guadelupe Island was <sup>used</sup> mainly as their base, and this island continued to be the favorite rendezvous for supply ships, even after the Hobbs Brothers disposed of their interests to the Consolidated Exporters Corporation, also of Vancouver, British Columbia. The merger was made in the latter part of 1928.



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During the time that the Hobbs group of vessels were operating along the Pacific Coast off Southern California, the operations to the northward were preempted by the Consolidated Exporters Corporation. This company was organized in Vancouver. Its sole business was that of smuggling liquor into the United States. The Consolidated Exporters Corporation was never the avowed owner of vessels operating under her management. These vessels were chartered by CONEXCO, but were owned by various shipping companies, chiefly The Canadian-Mexican Shipping Company, Ltd., The General Navigation Company, Ltd., and the South Seas Trading Company, Ltd., Sterling Traders, and Trafford Steamship Company, all of Vancouver.

At the time my knowledge of the Consolidated Company operations begins, the S. S. MALAHAT was acting as the supply ship. The first messages transmitted to and from the MALAHAT which came to me for solution were of October, 1925. The MALAHAT stayed in the area of operation and acted as the mothership from October, 1925, to July of 1927. During 1926 the FEDERALSHIP was also operated by CONEXCO. In February of 1927 the FEDERALSHIP was seized and taken to San Francisco but afterward released. The FEDERALSHIP was owned by the Federal Shipping Company, Ltd., of Vancouver. After her seizure, her name was changed to LA GOLONDRINA, and still later to L'AQUILA.

During 1927 the ARWYCO also brought cargo to the MALAHAT and later replaced the MALAHAT as the mothership for a time. The S. S. NOBLE was another vessel operated off the coast of Washington and Oregon from July, 1927, until she was wrecked in January of 1928.



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The MALAHAT was the sole supply ship in the area from February to June of 1928. On June 1, 1928, the L'AQUILA (the former FEDERALSHIP), which had brought cargo from Europe in April of some 20,000 cases, replaced the MALAHAT.

# The ARWYCO cleared from Antwerp with a cargo of liquor for her return voyage in July of 1928 and reached the area in September where she remained. # During November of 1928 occurred the series of developments which drove the L'AQUILA from the smuggling business forever. It was at that time that the L'AQUILA was boarded and searched, seized and released, and then pursued into Ensenada Harbor, Lower California, by the Coast Guard. Subsequent to this, the United States Government succeeded in winning the cooperation of the Mexican Government to hold the L'AQUILA for prosecution because of her registry having expired some months previously. The Consolidated Exporters Corporation removed cargo, crew, coal and supplies, and even parts of the vessel, piecemeal, from the L'AQUILA and abandoned the hull of the vessel in Ensenada Harbor. ~~It was later towed elsewhere.~~

Lab  
It was during the latter part of 1928 that negotiations were conducted for the merging of the interest of the Hobbs Brothers and the Consolidated Exporters Corporation. By January of 1929 the <sup>CONEXCO</sup> C. E. C. had taken over the liquor which then remained upon vessels operating in the area under Hobbs control. This merging of control under one head was completed with the taking over of the liquor on the LILLEHORN, the Hobbs supply ship at that time, by the ARWYCO in January of 1929.

During the time when the Consolidated Exporters Corporation were operating independently of the Hobbs Brothers, they made use of tenders and intermediate ships, to transfer cargo from the supply ship to the contact boats from Shore. Chief among these



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During the time when the Consolidated Exporters Corporation were operating independently of the Hobbs Brothers, they made use of tenders and intermediate ships, to transfer cargo from the supply ship to the contact boats from Shore. Chief among these tenders were the OULATCHOUAN, the PRINCIPIO, ~~and~~ the KILTUISH, and the RAY ROBERTS. These smaller vessels did not remain at sea for long periods, as did the supply ships, their sea duty comprising periods of, for the most part, one to three months.

The foregoing is pure history <sup>Solid</sup> culled from ~~the~~ messages themselves, and therefore believed to be indisputable fact.

In searching for information as to persons who comprised the Consolidated Exporters Corporation, it was found that the messages gave little or no aid. Messages (1925-27) sent to Vancouver from the CONEXCO vessels via commercial radio made use of addresses J (or M) Waterman (Belmont Hotel); C Hawkins; C. Hotchkiss, M. Easoon; Forrest; Fred Mules (416 W. Pender St.) and CASCO, which doubtless is <sup>a</sup> registered cable address for "Canadian American Shipping Company" - whether or not such a company actually existed.



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Section Title: THE AGE OF SHORT WAVE WIRELESS BEGINS

Up to the autumn of 1927 commercial radio via Los Angeles and Wilmington, California had been utilized to transmit messages. In the latter part of 1927 arrangements were completed to equip all vessels with short wave radio sets. Communication was thereafter conducted by illegitimate transmission instead of commercial radio.

This interesting development we learned from the messages themselves.

After the use of short wave radio began, all signatures and addresses were in the form of call letters. Identification of stations had to be made chiefly through the mechanics of wireless, although the messages continued to shed some light on the personnel of the organization. The Hobbs stations used two-letter calls, such as RH, RL, and the like. The <sup>CONEXCO</sup> ~~CEC~~ stations employed arbitrary names such as Brien, Toche, and the like.

From sources of information outside the messages themselves, there is evidence that the persons backing the activities of the Hobbs group of vessels were not only J. W. and Barnett Hobbs, but Henry Reifel and Sons (George and Ben Reifel). It seems that in about December 1928, the Reifel company separated completely from the Hobbs company and that this was followed by the Hobbs company disposing of their interest to Joseph Kennedy, Ltd. of Vancouver, large holders of stock in the Consolidated Exporters Corporation.

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After the liquor on the Hobbs vessels had been transferred to the ARWYCO and the dispensing of cargo became solely the business of CONEXCO, the latter Corporation began to develop new plans for handling the cargo. Where as up to this time the liquor had been brought from Europe by ships despatched from Vancouver for that purpose, now the practice became to load the liquor itself in Vancouver, haul it south through the Panama Canal, thence to Europe to Antwerp, a free port: here the cargo was unloaded, reloaded, and hauled back to the Pacific Coast.

In one case the MALAHAT loaded 60,000 cases in Vancouver, carried it to the South Seas, that is to Tahiti (also a free port), unloaded, reloaded the same cargo, and returned to take up at sea



her prearranged position about 60 miles off the Southern California Coast and remained there <sup>to</sup> ~~and~~ act as the mothership for nearly a year thereafter.

At this time plans were made to store Canadian liquor in warehouses in Mexico. This was found to be a very expensive proposition, because of the high cost demanded for cooperation by the Mexican authorities whose support was necessary. Hence after one or two cargoes had been stored in an Ensenada warehouse, the plan was relinquished. The supply ships still functioned off the coast, and CONEXCO procured the cooperation of the port officials at Ensenada to permit smuggling vessels to escape into Ensenada Harbor as a refuge from Coast Guard cutters. <sup>Insert</sup> ~~(attached)~~

By September, 1929, the United States Department of State had succeeded in preventing the Mexican government from renewing permits to the <sup>use</sup> interests smuggling liquor into the United States. All cargo warehoused in Mexico was required to be disposed of by October 1, 1929, and the Mexican government issued an order prohibiting the exportation of liquor into adjoining countries after Oct. 20, 1929.

During the summer of 1929, three new boats were constructed at Vancouver with the purpose of overwhelming the enforcement agencies by superior speed. These boats, the KAGOME, TAIHEYO and YURINOHANA were equipped for a speed of 25 to 30 knots. Although none of <sup>the</sup> three were under Consolidated Exporters Corporation ownership, all three boats were used to obtain cargo from <sup>CONEXCO</sup> ~~the~~ supply ships. The YURINOHANA was registered in the name of Ersking G. Griffith, 2687 Georgia Street, Vancouver, but was known to the actually owned by Americans, the Cornero Brothers, Los Angeles. The KAGOME was believed to be owned by Maurice Sugarman of Los Angeles, and the TAIHEYO by Louis Crank. For a time the last named boat received its cargoes from Mazatlan, Mexico. Now instead of transferring liquor twice, from mothership to middle-sized ship, thence to contact speed boats to rush it into shore, these fast intermediate vessels were designed to elude picket and run in to the beach, instead of transferring their cargo to <sup>m</sup> ~~small~~ shoreboats.



Insert

3 p6 West Coast chapter on CONEXCO

In March 1929 CONEXCO shipped 5,000 cases to Ensenada Mexico, on a government freighter. The CONEXCO agent in Los Angeles was moved to Ensenada. The known liquor-carrying speed-  
~~boats~~ ~~vessels~~ vessels used for contact speed-boats in Los Angeles and  
~~in~~ San Diego, California, were found to be applying for Mexican registry.



(West Coast)

Once again, in the autumn of 1929, the practice was begun of despatching large vessels to Europe with cargo which was returned to the Pacific Coast for disposal by the motherships of the Consolidated Exporters Corporation. The LILLEHORN cleared Vancouver, Oct. 2, 1929, for Antwerp, Belgium, where she loaded 33,000 cases, including the cargo she had brought from Vancouver, and cleared on February 4th, 1930, for Vancouver. She replaced the MALAHAT as mothership at Guadalupe Island in March.

The PRINCE ALBERT cleared from New Westminster, B. C. with a large cargo consigned to Pioneer Distillery co., Abbotsford, Ontario. This distillery being known to be a subsidiary of the Reifel company, it is presumed that the Prince ALBERT had again departed from the control of the Consolidated Exporters Corporation.

Early in 1930 efforts of the United States to win from the Canadian Government, some cooperation against smuggling resulted in an order from Ottawa that all liquor-export warehouses must be closed by June, 1930. This caused renewed activity on the part of the smuggling interest by bringing forth efforts to remove the 80,000 or so cases stored in Canadian warehouses before the date named in the order.

In May of 1930, the ARWYCO cleared British Columbia with a small cargo of bonded whiskey for Antwerp, as had the LILLEHORN the previous autumn. It was said that 40,000 cases were moved from the Consolidated warehouses<sup>S</sup> in western Canada in April 1930 and shipped to Consolidated warehouses outside the Dominion, such as <sup>in</sup> NEWFOUNDLAND<sup>in</sup> St. Pierre et Miquelon, Belize, British Honduras, and St. Georges, Bermuda. Thus only could the <sup>CONEXCO</sup> CEC hope to escape the tax to be imposed after June, 1930.

The Canadian Government Bill, procured under pressure from this country, to prohibit the exportation of liquor into the United States, became effective May 31, 1930. Under the provisions of this bill, an exporter had to satisfy the Canadian Government that he was shipping the liquor to a country into which entry was legal. A double <sup>excise</sup> ~~ecise~~ duty (\$18.00 per gallon) was held as a pledge until the landing certificate was presented to the Canadian



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government, <sup>at which time</sup> ~~when~~ the bond was released. Exporting licenses were to be forfeited upon failure to produce landing certificates.

This plan, while it had some effect in some parts of Canada, changed little in the plans of the Consolidated Exporters Corporation; for their practise <sup>(as stated before)</sup> had been to ship cargo to a free port such as Antwerp, Belgium, or to Tahiti, there unload it and then return with the reloaded cargo and the landing certificate signed. Additional loadings were usually also brought from Europe. The PRINCE ALBERT, which had been sent to Halifax with a cargo thought to be owned by the Reifel Company, was despatched to Europe in the autumn of 1930. At the time the <sup>Canadian Government</sup> Bill was put into effect, it was prophesied by our intelligence officers that it would have little or no effect on CONEXCO's operations, as indeed is shown in the foregoing.

✓ Skimming through the <sup>✓</sup> columns of information that poured in during that Era which bore on our attack on the illegal importation of liquor, some of the facts seem remarkable, some even startling.

On April 9, 1929, intelligence reported that every liquor ship off the Pacific Coast was then under picket except one. On April 23: "Current price of liquor in San Francisco and Los Angeles now \$70--\$75 per case, an increase of \$30--35. Since January price at mothership to smuggler rose from \$19 to \$25."

In June, 1929, "for the first time in 1929 CONEXCO admitted doing satisfactory business, not because of less activity and efficiency on the part of the various government agencies but because smuggling interests have finally adjusted themselves to the new circumstances and conditions. They stress the factor is the use of Ensenada as a base, and as a haven of refuge from <sup>conspired</sup> Coast Guard cutters. Canadian and official interests of Mexico <sup>to</sup> violate the laws of the United States. "Citizens of the two friendly nations taking advantage of geographic proximity and of technicalities of international law, have with more or less <sup>with</sup> impunity perfected for their own profit a machine of which an integral part is the criminal element of the United States."

✓ <sup>But</sup> At the end of 1929 CONEXCO admitted the <sup>had been</sup> past six months <sup>very</sup> unsatisfactory on the whole, both as to volume and profits. The



company announced their intention of testing new methods by a fleet of smaller craft to overwhelm the Coast Guard by speed and numbers, while slow boats acted as decoy for Coast Guard cutters. For some time patrol boats had so consistently held vigil at contact positions that at one time the mother-ship ARWYCO, while on position, could not even get her supplies of food from the shore boats.

The CONEXCO vessel Copeman, her former luck seeming to have deserted her, was subjected to more than 8 months of unrelenting harassment as she took positions variously off the coast of Mexico and California, so that finally she ~~XXXX~~ was forced to give up and depart without having disposed of any of her cargo.

In the Gulf of Mexico, in CONEXCO ~~XXXXXXXXXX~~ operations off Texas, the intercepted messages demonstrated harassment so intense that the contact plans with shore were relinquished after only a few days. (CONEXCO's land agent for the Gulf Coast, headquarters New Orleans, was Bert Morrison, himself brought to trial in 1934 (See pp.-)).

The Coast Guard cutters were <sup>often</sup> helpless <sup>however,</sup> when it came to preventing exchange of cargo from the mothership to the tender. <sup>because of the mother ship</sup> In one case, the COPEMAN which had taken on cargo at Balboa to be shifted to the mothership on position, MALAHAT, 60 miles off the Southern California Coast, with the <sup>CHIEF</sup> SKUGAID acting as lighter making the transfer, the 3 vessels were on position for one week while five cutters looked on helplessly. <sup>in frustration</sup> [The U.S. Section title here is CONEXCO THROWS A NOOSE AROUND]

CONEXCO in 1929 began to extend their operations beyond Pacific waters. Agents were sent by them to Mexico and Belize; to Havana; to New Orleans and Miami; to Nassau and to Montreal. By 1930 their network of activities completely surrounded the United States, <sup>to</sup> and reaching from Vancouver British Columbia ~~in~~ all the way around through the Panama Canal and the Gulf of Mexico to the Atlantic and up the East Coast to Newfoundland, with <sup>its</sup> the harbor of St. Pierre et Miquelon. By the autumn of 1929 CONEXCO had two agents and four vessels operating out of Belize British Honduras, having started with one agent and one vessel only a few months earlier.



In 1930 CONEXCO attempted to negotiate with dealers in Nassau to warehouse and to sell liquors. By February 1931, the <sup>extremely</sup> fast motor boats for use as tenders were in operation. The <sup>se</sup> tenders, having taken a load of liquor from the mothership off shore, had such speed and such capability for swift manneuvering, that they could elude any chase by patrol vessels, and unload the liquor cargo practically onto a dock. *10 min*

*The* In April, 1930, California was glutted with smuggled liquor. The price fell in one area to \$9 a case. *known to have been*

Total ~~cases~~ delivered on Pacific Coast during 1929 was 60,785 cases.

Reports made by my office after Prohibition was repealed in 1934, conceded that on the Pacific Coast the number of seizures was very small compared to the vastly extensive organization which carry <sup>ed</sup> on smuggling operations <sup>along that</sup> on the Pacific Coast. The extent of information possessed, however, concerning the smugglers' activities was the most imposing of all such knowledge on any coast and actually amounted to staggering proportions. This information was in such detail and so exact and accurate that it resulted in ~~the~~ indictments against the Reifels of Vancouver, B. C. and the Canadian distilling interests. The fact that the volumes of information concerning the rum runners' movements did not

result in the same proportion of seized cargoes and arrested persons than a much smaller volume of information had procured on other coasts, was chiefly due to the fact that the sea-going <sup>arm</sup> ~~argument~~ of the Treasury, <sup>department</sup> the Coast Guard, never succeeded in building up its facilities <sup>on the West Coast</sup> to a degree comparable with those of the rum runners. It is a recognized fact that the extremely well-organized activities of the Pacific Coast rum runners, directed as they were from the one central point, Vancouver, B. C. an imposing array of money, swift and new vessels, and other equipment, far exceeded facilities possessed by the <sup>U.S.</sup> Government agencies struggling to combat these activities. <sup>vast</sup> However, <sup>numbers of</sup> proposed and arranged-by-radio contacts and rendezvous were broken up. <sup>order than those on the preceding pages</sup> Many stories <sup>could</sup> be related of harrassment to the smugglers, which resulted in practically a total loss of effort and money expended on a given venture.



XXXXXX 1931, <sup>brought</sup> ~~XXXX~~ the fruition of desires and plans for a unit <sup>extracting information from</sup> which could be trained to be of assistance in the volumes of

~~XXXX~~ intercepted messages. From 1928 onward, as soon as <sup>a</sup> new system was solved by me, the method or methods of reducing the messages to plain language had been disclosed to Mr. Housel in San Francisco; thereafter he reduced the messages to plain text as soon as received from the Coast Guard monitors and disclosed his information therefrom to Coast Guard Patrol boats. (Mr. Housel held the desk of Intelligence Information in the San Francisco office of the Alcohol Tax Unit.) But in spite of this arrangement, for me alone with a lone clerk-typist for help, to keep abreast of the spate of secret messages ~~XXXXXX~~ pouring in, was an impossible feat in anyone's book. When the three young college graduates who had majored in an analytical science reported for <sup>training</sup> duty in July of '31, I <sup>not only</sup> began to train them with recorded lessons in cryptography and cryptanalysis but also prepared <sup>them</sup> for ~~the work~~ active pursuits of the office, by preparing data for me and the Treasury Department law-enforcement agencies; also by preparing for me indexes of the intercepted traffic; and by reducing to plain language the messages in systems already solved by me. (Later on, after this crash course, they of course participated in the work of solution.) Hence, from July 1931,

My staff kept books listing the contacts between smuggling vessels, facts gained by reading intercepted messages in their secret methods for conveying the arrangements for said contacts to the boats. Our volumes of intercepts of the smugglers' messages transmitted by illegal short wave radio furnished evidence of <sup>great</sup> ~~vast~~ importance in civil and criminal suits. George and Henry Reifel of Vancouver, herein before mentioned as the actual directors of the Consolidated Exporters Corporation, were discovered one day in 1934 to be physically present in Seattle, Washington. They were arrested, posted a bond of \$200,000, which they forfeited by leaving United States territory and not returning. It has been stated that the Reifels realized that their conviction was absolutely certain <sup>because of</sup> through the possession by the United States of a knowledge of their every movement during the years of their smuggling liquor into the United States, including the dispatching of mother ships, intermediate ships and speed boats, the exact amounts of cargo delivered, names of brands



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and value of contraband. In fact such detailed knowledge of the activities of this particular Canadian group was known to the Government through the voluminous files of intercepted messages that not only the criminal case against the Reifels was a foregone conclusion, but an additional civil suit against them for several million dollars was settled outside of court for cash. Damages asked by the United States "in lieu of <sup>import</sup> taxes evaded" were \$17 million. The amount of this settlement was a disappointing ~~part~~ fraction of the total asked--only \$500,000. In another case in 1931, due to the exact knowledge of the shipments of smuggled liquor by the Consolidated Exporters' Corporation, a tax adjustment against that Corporation itself was upheld by the courts --a tax adjustment that netted the United States \$119,885,000.

Section  
title

#### THE WEST COAST: THEIR SYSTEMS OF COMMUNICATION.

After pages of radio-intercepts were transformed into plain language and recorded and the pages had accumulated to a generous inch in thickness, they were made into a bound volume; and the thirty or more large volumes of messages transmitted to and from ships operating under Canadian direction and which had been sent in ciphers, in codes, and enciphered code, constituted irrefutable evidence of the illicit nature of the activities therein recorded.

In connection with the Pacific Coast activities, we were able to draw <sup>up</sup> charts showing the organization of the rum-runners operations. It was our graphic network map of all the activities of all the different vessels, their transfers of cargo, landings, contacts with the mothership, and like physical facts about them. It will be noted that we knew how these stations communicated with each other, with the mothership, with shore stations, all this being done by means of no less than 10 different codes. *Whereas in 1928 there had been only two general systems in use, by June 1930 there was a different system for practically every vessel operating under the aegis of COWE & CO.* All but a small percentage of the traffic was solved; so that it was possible to keep them under surveillance at all times, thus preventing a considerable <sup>part</sup> of the smuggling which would have occurred otherwise.

A tally made during a year and a half between May 1928 and January, 1930 reached a total of 3300 messages transmitted--a surprising number, even to us who dealt with them. This traffic comprised communication between four or five shore stations and approximately 25 vessels. Nearly fifty distinct and separate methods



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as well as frequent  
of secret communication had been employed, ~~XXXXXX~~ shiftings  
to new methods. Multiple methods were sometimes used also; ~~that~~  
that is, there were combinations of methods used: a cipher imposed  
on code groups, then perhaps that cipher enciphered by another  
code, etc. The heaping up of steps in a process of converting  
plain language into secret language is not always a safer system  
because of it, neither is it as insoluble as the untrained person  
might think.

I recall one such message, which was ~~XXXXXX~~ the instrument,  
finally, of ferreting out the actual five steps used, <sup>in preparing a message</sup> Each step was  
an entity in itself. Even though one or more of the steps may  
have been simple or nearly so, nevertheless the time and patience  
to puzzle out the chips forming the stack until the final plain  
language was reached was something of an endurance feat. Once  
done, however, other messages in the same ~~XXX~~ method were only  
slowed up by having to go through five steps instead of one.

When this was first encountered, and I had puzzled over it for  
all the time I could spare, I decided to make the assumption that  
it was enciphered code. I had known of ~~xxx~~ <sup>commercial</sup> codebooks having been  
found when some of the rum vessels had been hauled into port; for  
example, the Acme Code, the ABC Code, the Rudolf-Mosse Code,  
<sup>even a code of German origin</sup> Slater's Code, and others.  
Therefore attack was begun ~~by XXXXX~~ by assuming that a cipher  
system had been imposed upon a code. Once a gain ~~XXXXXXX~~

laborious trials were necessary before a cipher alphabet could  
be built up, the letters of which would convert the letters of  
the intercepted message into letters of which made up the code  
groups of a commercial code. In this case that was found to  
be the Acme Code. But this resulted in no intelligible plain  
text, hence it was obvious that further steps were involved.  
Since almost all commercial codes have both letter-groups and  
number-groups equivalents, a switchover was made to the number  
group opposite the letter code group just found in the Acme  
Code, and after trying to reconvert that particular group into  
something which would yield plain language in that particular  
code, it became obvious that a more devious path to solution was  
required. After much experimentation it was found that the



6th Edition of the ABC Code was ~~XXXXXXXXXX~~ fitted into the multiple cryptographic system. <sup>insert</sup> In the selection ~~of~~ <sup>an actual</sup> message sent, I have selected one which was simpler than most, because it had a short section of plain single-alphabet cipher, the text of the message as intercepted showing <sup>tri-graphic</sup> repetitions of cipher letters.

Message as sent:	MJFAX	ZYWKH	QATIT	JSL	QATS	QSYGX	OCTB
monoalphabetic cipher:			where	and	when		fuel
Cipher alphabet, converting above to ACME Code letters:	BARHY	OLJYS				WINUM	
Equivalent ACME code numbers:	08033	53725				25536	
Subtract 1000:	07033	52725				24536	
Find resultant number group in ABC Code, 6th edition:	Anchored in harbor. Where and when are you sending fuel?						

The foregoing is a sober message. However there were numerous times when after considerable labor brought forth plain language, the latter was a source of amusement. That good cryptographic adviser to Consolidated Exporters Corporation in Vancouver, B.C., permitted nothing whatsoever beyond call letters to be transmitted in plain language. Hence more than a smile was caused when one day the above-described five-step system gave ~~XXXXX~~ birth to the following message transmitted from a mothership far out to sea:

"Andrew says advise wife to send reserve glass eye." Had Andrew been roughousing and in the scuffle lost his glass eye overboard? At another time the luckless Andrew requested "a pair of shoes, size 15." (In those days a size 15 was needed <sup>only a giant</sup> by the ~~more than sixfoot~~ man only).

We learned a great deal about those men on the far-flung ships at sea. There was a second mate on a supply ship who was designated one day to receive what for him must have been a puzzling message. The short wave radio from Vancouver carried the message to the master: "Please inform second mate his wife has just given birth to twins". Back went the answer: "Must be some mistake. Second mate has no wife." On another occasion Conejo Headquarters reprimanded the master of a ship which had returned to a position off California after having traveled to Tahiti or some free port where its massive cargo had been unloaded and ~~headed~~ <sup>reloaded</sup> again, that there had been reports of unbe-



coming behavior on the part of his crew when ~~tax~~ in the foreign port. The master went to considerable length in his secret-text reply to assure headquarters that the conduct of his men had been exemplary while at sea ("sailors will be sailors when in port" and that he himself had "led divine services last Sunday".

To return to the many forms of concealed communication methods used by West Coast liquor interests; there were not only enciphered code upon enciphered code, using "public" codebooks, but there were many cases of private codes, especially constructed for the use of the smuggling purveyors of liquor. The 9999-group codes had to be reconstructed "from scratch". The practise was to use 4-letter groups not 5-letter groups as is usually true of commercial codebooks; but the 4-letter groups, like the commercial codes, showed a 2-letter difference--that is, each 4-letter group differed from every other 4-letter group by 2 letters--an essential feature in the construction of a code book, for the purpose of being able to correct errors or garbles. The code-groups themselves had to be solved each time a new code book was put into effect: "solved" in the sense that the permutation table for forming the successive code groups had to be built up slowly as traffic accumulated, and then the second part of the Breaking-down process had to be carried on, fragment by fragment. Such code books were usually replaced by the Vancouver headquarters of CONEXCO about each six months, and the whole tedious process had to be gone through again. I recall in one case, the supply ship Malahat chose to make a changeover in her 9999-group code book at a time which was very unlucky for me. Almost simultaneously with the departure of my husband/<sup>as a U.S. representative</sup> for an international conference in Europe, ~~XX~~<sup>a trip on</sup> which I had planned to accompany him, I was forced to stay behind until I had broken the MALAHAT new code, which took me ~~about~~<sup>nearly</sup> two months; for this was before I had any office assistance beyond a single clerk-typist, <sup>who was utterly</sup> untrained for this special endeavor.



B

Pacific Coast

HISTORY OF CHIEF SMUGGLING INTERESTS ON THE PACIFIC COAST

At the time I first became engaged in reading smugglers' correspondence (1925), the Pacific Coast operations were divided between two groups. One of these was known as "the Hobbs' Interests." J. W. Hobbs and a brother constituted the company of Hobbs Brothers, Ltd., of Vancouver, which was the liquor-exporting firm which in turn chartered ships owned chiefly by the Central American Shipping Company, also of Vancouver. From March, 1925 (the date on which knowledge of activity began), the KUYAKUZMT <sup>also called</sup> ~~for~~ STADACONA acted as a supply, or mothership, for the Hobbs Interests, and continued as such until the end of May, 1926. During 1925 the PRINCE ALBERT had also been operating as a supply ship from September to December. In 1926 the PRINCE ALBERT twice brought provisions to the KUYAKUZMT, the second time replacing the latter vessel, which then returned to Vancouver. The LILLEHORN also brought out a large cargo and remained in the area of operations between August, 1925, and the middle of January, 1926. The HURRY ON was also among the group of supply ships during part of 1926.

In December of 1926 the KUYAKUZMT returned to sea where she remained until May 1, 1927. During 1927 the LILLEHORN was the chief of the Hobbs' motherships. During that year the PRINCE ALBERT brought cargo from Europe, arriving off the California Coast in November and replacing the LILLEHORN. The following month, December, 1927, her cargo was augmented by the European supply brought from Glasgow by the HURRY ON. <sup>Later a practice became common whereby the ships did not actually purchase</sup>

In 1928 the PRINCE ALBERT remained as chief supply ship until July, when the LILLEHORN <sup>which</sup> who, in the meantime, had gone to Europe for cargo, replaced the PRINCE ALBERT. The LILLEHORN remained in the area through the rest of the year 1928. In the latter part of that year the Hobbs Brothers disposed of their interests to the Consolidated Exporters Corporation.

*cargo in Europe, but loaded it in Vancouver, carried it to Europe, unloaded it in a free port and there*



During these years of extensive <sup>activities</sup> operations on the part of the Hobbs Brothers, Guadalupe Island was used mainly as a base, <sup>and this island con-</sup> Up to the autumn <sup>tinued to</sup> of 1927 commercial radio via Los Angeles and Wilmington, California, had <sup>the favorite</sup> been employed to transmit messages. In the latter part of 1927 arrangements <sup>under your</sup> were completed to equip all vessels with short wave radio sets. Communication <sup>for the</sup> was thereafter conducted by illegitimate instead of commercial radio. [Tenders <sup>supply</sup> and smaller vessels which had operated with the Hobbs group during 1927-1928 <sup>ships</sup> were the CHIEF SKUGAID, OUIKINISH, and the ODEON. The PRZSEMYSL, belonging <sup>after</sup> to Tony Cornero, <sup>also worked in conjunction</sup> operated with the Hobbs vessels.] <sup>the</sup> <sup>merge.</sup>

<sup>of California</sup> During the time that the Hobbs group of vessels were operating along the Pacific Coast off Southern California, the operations to the northward were preempted by the Consolidated Exporters Corporation. This company was organized in Vancouver, <sup>its sole</sup> and to date <sup>was</sup> its only business <sup>has been</sup> that of smuggling liquor into the United States. The Consolidated Exporters Corporation <sup>has</sup> <sup>was never</sup> never been the avowed owner of vessels operating under her management. These vessels were chartered by the C. E. C., but <sup>CONEXCO</sup> <sup>were</sup> have been owned by various shipping companies, chiefly The Canadian-Mexican Shipping Company, Ltd., The General Navigation Company, Ltd., <sup>Sterling Traders</sup> and the South Seas Trading Company, Ltd., <sup>all</sup> of Vancouver.

At the time my knowledge of <sup>the</sup> Consolidated <sup>Company's</sup> operations begins, the S. S. MALAHAT was acting as the supply ship. The first messages transmitted to and from the MALAHAT which came to me for solution were <sup>of</sup> October, 1925. The MALAHAT stayed in the area of operation and acted as the mothership from October, 1925, to ~~April~~ <sup>CONEXCO</sup> (1) July (2) of 1927. During 1926 the FEDERALSHIP was also operated by the ~~C. E. C.~~ <sup>CONEXCO</sup>. In February of 1927 the FEDERALSHIP was seized and taken to San Francisco but afterward released. The FEDERALSHIP was owned by the Federal Shipping Company, Ltd., of Vancouver. After her seizure, her name was changed to LA GOLONDRINA, and still later to L'AQUILA.

*all vessels Steamship Company*



Also, <sup>later</sup> During 1927 the ARWYCO brought cargo to the MALAHAT and ~~also~~ replaced the MALAHAT as the mothership for a time. The S. S. NOBLE <sup>was another vessel</sup> ~~also~~ <sup>which</sup> operated off the coast of Washington and Oregon from July, 1927, until she was wrecked in January of 1928.

In February of 1928, the MALAHAT replaced the ARWYCO as the supply ship, and the ARWYCO left Vancouver for Europe to return with cargo. The MALAHAT was the sole supply ship in the area from February to June of 1928. On June 1, 1928, the L'AQUILA (the former FEDERALSHIP), which had brought cargo from Europe in April of some 20,000 cases, replaced the MALAHAT. <sup>↑</sup>

<sup>no #</sup> The ARWYCO cleared from Antwerp with a cargo of liquor for her return voyage in July of 1928 and reached the area in September, where she remained.

<sup>4P</sup> During November of 1928 occurred the series of developments which drove the L'AQUILA from the smuggling business forever. It was at that time that the L'AQUILA was boarded and searched, seized and released, and <sup>then</sup> pursued into Ensenada Harbor, <sup>showing California</sup> by the Coast Guard. Subsequent to this, the United States Government succeeded in winning the cooperation of the Mexican Government to hold the L'AQUILA for prosecution because of her registry having expired some months previously. The Consolidated Exporters Corporation removed cargo, crew, coal and supplies, and even parts of the vessel, piecemeal, from the

<sup>mitted</sup> L'AQUILA and abandoned the hull of the vessel in Ensenada Harbor. <sup>It was later</sup> ~~lowered elsewhere~~

It was during the latter part of 1928 that negotiations were conducted for the merging of the interests of the Hobbs Brothers and the Consolidated Exporters Corporation. By January of 1929 the C. E. C. had taken over the liquor which then remained upon vessels operating in the area under Hobbs control. This merging of control under one head was completed with the taking over of the liquor on the LILLEHORN, the Hobbs supply ship at that time, <sup>by</sup> ~~being~~ the ARWYCO in January of 1929.



During the time when the Consolidated Exporters Corporation were operating independently of the Hobbs Brothers, they made use of tenders and intermediate ships, to transfer cargo from the supply ship to the contact boats from Shore. Chief among these tenders were the OULATCHOUAN, the PRINCIPIO, and the KILTUISE, and the RAY ROBERTS. These smaller vessels did not remain at sea for long periods, as did the supply ships, their sea duty comprising periods of, for the most part, one to three months.

The foregoing is pure history, culled from the messages themselves, and therefore believed to be indisputable facts. In searching for information as to persons who comprised the Consolidated Exporters Corporation, it was found that the messages <sup>gave</sup> ~~gave~~ little or no aid. Messages (1925-27) sent to Vancouver from the ~~CEC~~ <sup>CONEXCO</sup> vessels via commercial radio made use of addresses J (or M) Waterman (Belmont Hotel); C Hawkins; C. Hotchkiss, M. Sassoon; Forrest; Fred Mules (416 W. Pender St.) and CASCO, which doubtless is registered cable address for "Canadian American Shipping Company" - whether or not such a company actually existed.

After the use of short wave radio began, all signatures and addresses were in the form of call letters. Identification of stations had to be made chiefly through the mechanics of wireless although the messages continued to shed some light on the personnel of the organization. The Hobbs stations used two-letter calls, such as RH, RL, and the like. The CEC stations employed arbitrary names such as Brien, Toche, and the like.

From sources of information outside the messages themselves, there is evidence that the persons backing the activities of the Hobbs group of vessels were not only J. W. and Barnett Hobbs, but Henry Reifel and Sons (<sup>George</sup> ~~George~~ and Ben Reifel). It seems that in about December 1928, the Reifel company separated completely from the Hobbs company and that this was followed by the Hobbs company disposing of their interests to Joseph Kennedy, Ltd. of Vancouver,



*In the South Seas, that is to*  
In one case the MALAHAT loaded  
60,000 cases in Vancouver, carried it  
to Tahiti (also a free port), unloaded,  
reloaded the same cargo, and returned  
large holders of stock in the Consolidated Exporters Corporation.

After the liquor on the Hobbs vessels had been transferred to the ARWYCO  
and the dispensing of cargo became solely the business of the ~~SEC~~ CONEXCO, the latter  
Corporation began to develop new plans for handling the cargo. Whereas up to  
this time the liquor had been brought from Europe by ships despatched from  
Vancouver for that purpose, *now the practice became to load it*  
*it south through the Panama Canal, there*  
loaded in Vancouver, hauled to Antwerp, a free port, unloaded, reloaded,  
and hauled back to the Pacific Coast. *Here the cargo was*  
at this time plans were made to store

Canadian liquor in warehouses in Mexico. This was found to be a very expen-  
sive proposition, because of the high cost demanded for cooperation by the  
Mexican authorities whose support was necessary. Hence after one or two cargoes  
had been stored in an Ensenada warehouse, the plan was relinquished. The supply  
ships still functioned off the coast, and *CONEXCO procured the*  
at Ensenada ~~was obtained~~ to permit smuggling vessels to escape into Ensenada  
Harbor as a refuge from Coast Guard cutters. *By* September, 1929, the United  
States Department of State had succeeded in preventing the Mexican government  
from renewing permits to the interests smuggling liquor into the United States.  
All cargo warehoused in Mexico was required to be disposed of by October 1,  
1929, and the Mexican government issued an order prohibiting the exportation  
of liquor into adjoining countries after Oct. 20, 1929.

During the summer of 1929, three new boats were constructed at Vancouver  
with the purpose of overwhelming the enforcement agencies by superior speed.  
These boats, the KAGOME, TAIHEYO and YURINOHANA were equipped for a speed of  
25 to 30 knots. Although none of three were under Consolidated Exporters  
Corporation ownership, all three boats were used to obtain cargo from CEC  
supply ships. The

*could not return the mother ship for nearly a year  
remain there and act as a*



Now instead of transferring  
liquor twice, from mother-  
ships to middle-sized ships  
thence to coast speed  
boats to rush it into shore

The YURINOHAMA was registered in the name of Ersking G. Griffith, 2687 Georgia Street, Vancouver, but was known to be actually owned by Americans, the Cornero Brothers, Los Angeles. The KAGOME was believed to be owned by Maurice

Gugerman of Los Angeles, and the TAIHEYO by Louis Crank. For a time the last named boat received its cargoes from Mazatlan. <sup>Mexico</sup> These fast <sup>intermediate vessels</sup> boats were designed to elude picket, and run in to the beach, instead of transferring their cargo to small shoreboats.

Once again, in the autumn of 1929, the practise was begun of despatching large vessels to Europe with cargo which was returned to the Pacific Coast for disposal by the mother ships of the Consolidated Exporters Corporation.

no # The LILLEHORN cleared Vancouver, Oct. 2, 1929, for Antwerp, Belgium, where she loaded 33,000 cases, including the cargo she had brought from Vancouver, and cleared on February 4th, 1930, for Vancouver. She replaced the MALAHAT as mother ship at Guadalupe Island in March.

The PRINCE ALBERT cleared from New Westminster, B. C. with a large cargo consigned to Pioneer Distillery Co., Abbotsford, Ontario. This distillery being known to be a subsidiary of the Reifel company, it is presumed that the PRINCE ALBERT had again departed from the control of the Consolidated Exporters Corporation.

Liquor Early in 1930 efforts of the United States to win some cooperation against smuggling from the Canadian Government, resulted in an order from Ottawa that all liquor-export warehouses must be closed by June, 1930. This caused renewed activity on the part of the smuggling interests by bringing forth efforts to remove the 80,000 or so cases stored in Canadian warehouses before the date named in the order.



In May of 1930, the ARWYCO cleared British Columbia with a small cargo of bonded whiskey for Antwerp, as had the LILLEHORN the previous autumn. It was said that 40,000 cases were moved from the Consolidated warehouses, in western Canada in April 1930, and shipped to Consolidated warehouses outside the Dominion, such as St. Pierre et Miquelon, Belize, British Honduras, and St. Georges, Bermuda. Thus only could the CEC hope to escape the tax to be imposed after June, 1930.

The Canadian Government Bill, procured under pressure from this country, to prohibit the exportation of liquor into the United States, became effective May 31, 1930. Under the provisions of this bill, an exporter had to satisfy the Canadian Government that he was shipping the liquor to a country into which entry was legal. A double excise duty (\$18.00 per gallon) was held as a pledge until the landing certificate was presented to the Canadian government when the bond was released. Exporting licenses were to be forfeited upon failure to produce landing certificates. This plan, while it had some effect in some parts of Canada, changed little in the plans of the Consolidated Exporters Corporation; for their practise had been to ship cargo to a free port such as Antwerp, Belgium, or to Tahiti, there unload it and then return with the re-loaded cargo and the landing certificate signed. Additional loadings were usually also brought from Europe. The PRINCE ALBERT, which had been sent to Halifax with a cargo thought to be owned by the Reifel Company, was despatched to Europe in the autumn of 1930.

At the time the Bill was put into effect, ~~it was~~ prophesied by our intelligence officers that it would have little or no effect on CONEXCO'S operations, as indeed is shown in the foregoing.

1930



Clipping for New York Evening World

7 October - 1930

N. Y. DRY AGENTS TRACING \$1,000,000 A MONTH RING.

Staff of 30 technicians, code experts, investigators, centered in city.

The federal government has mustered a staff of thirty technicians, code experts and astute investigators in an attempt to curb a mighty liquor syndicate plying ships between St. Pierre-Miquelon, New York and the Bahamas and doing an estimated \$1,000,000 a month business.

The Department of Justice, charged with prohibition enforcement, has placed its faith in a short, sandy-haired Virginian, E. J. Simmons, chief of special agents, for the New York district.

"The rum syndicate has a board of directors, consisting, we believe, of six or eight men, all of whom spend most of their time outside the United States," Simmons said today. "The gang has almost unlimited capital."

Simmons pointed to a radio set seized in one of his raids.

HIS AIDS ARE LINGUISTS

"That's worth \$15,000," he said. "I can't spend that much money on a radio. So I'm betting the brains of my men against money---the human element against mechanical perfection. I have one man who can speak five languages. Another one is an expert at translating Greek, and still another can speak Chinese. But the rum runners also are getting plenty of talent."

We mentioned Cecil Molyneux, described by federal agents as "a radio genius," who was arrested recently in Brooklyn and charged with being the land operative of a group of rum runners. Molyneux, who was involved in the I'M ALONE case because of his radio activities, is out on bail.

"My men often have to work for months on radio messages we intercept," Simmons said. "Like Poe, I believe there is no code that cannot be broken down. Sometimes it takes a long time to do it, and often one word comes flashing through that provides us with the key to a cipher with which we have been struggling until everybody in the office has a headache."

TELLS HOW RADIO IS USED

"We know the syndicate maintains land radio stations to direct its ships. Here is a typical example of how we can spot a ship: We intercepted a message recently from a rum ship which said there was no chance of unloading immediately because a coast guard cutter was nearby. We then learned the location of all vessels at sea and it was easy to spot the ship."